Financial Statements

Lasell College

June 30, 2018 and 2017

LASELL COLLEGE

Financial Statements

Table of Contents

Financial Statements:

Mayer Hoffman McCann P.C.
500 Boylston Street ■ Boston, MA 02116
Main: 617.761.0600 ■ Fax: 617.761.0601
www.cbiz.com/newengland

Independent Auditors' Report

Board of Trustees
Lasell College
Newton, Massachusetts

We have audited the accompanying financial statements of Lasell College (the "College"), which comprise the statements of financial position as of June 30, 2018 and 2017, and the related statements of activities, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Lasell College as of June 30, 2018 and 2017, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Mayer Hoffman McCann P.C.

October 12, 2018
Boston, Massachusetts

LASELL COLLEGE

Statements of Financial Position

	June 30, 2018	June 30, 2017
Assets		
Cash and cash equivalents	$ 1,639,396	$ 5,320,890
Cash limited as to use	1,344,343	1,389,321
Accounts receivable, net	3,263,117	2,475,695
Contributions receivable, net	2,916,740	2,676,835
Student loans receivable, net	363,392	368,540
Funds held by trustees under bond agreements	1,955,117	5,608,604
Other assets	1,113,044	1,300,599
Beneficial interests in trusts	2,747,469	2,603,896
Investments	36,732,104	38,256,573
Real estate held for investment	4,678,012	2,196,000
Property and equipment, net	93,227,998	90,204,966
Total assets	**$ 149,980,732**	**$ 152,401,919**
Liabilities and Net Assets		
Liabilities:		
Accounts payable and accrued expenses	$ 5,831,905	$ 10,169,714
Deferred revenue	9,651,161	7,424,905
Deferred land lease revenue	1,487,319	1,485,650
Refundable advances - Perkins loan program	321,014	371,911
Annuity obligations	392,900	697,200
Bonds payable, net	56,223,289	57,551,178
Fair value of interest rate swaps	4,513,534	5,483,237
Other liabilities	343,894	354,450
Total liabilities	**78,765,016**	**83,538,245**
Net assets:		
Unrestricted	54,414,571	52,530,129
Temporarily restricted	8,274,648	8,127,643
Permanently restricted	8,526,497	8,205,902
Total net assets	**71,215,716**	**68,863,674**
Total liabilities and net assets	**$ 149,980,732**	**$ 152,401,919**

See accompanying notes to financial statements.

LASELL COLLEGE

Statement of Activities

Year Ended June 30, 2018
(With Comparative Totals for 2017)

	2018				2017
	Unrestricted	*Temporarily Restricted*	*Permanently Restricted*	*Total*	*Total*
Revenues, gains and other support:					
Tuition and fees	$ 61,114,640	$ -	$ -	$ 61,114,640	$ 61,553,721
Room and board	18,797,839	-	-	18,797,839	18,387,621
Less: financial aid	(30,785,381)	-	-	(30,785,381)	(30,325,942)
Net tuition, fees and room and board	49,127,098	-	-	49,127,098	49,615,400
Auxiliary enterprises	6,341,041	-	-	6,341,041	6,276,110
Investment income appropriated	1,597,580	-	-	1,597,580	1,330,424
Federal and state grants	658,082	-	-	658,082	649,156
Private gifts and grants	927,209	-	-	927,209	953,611
Other revenue	748,477	-	-	748,477	699,082
Net assets released from restrictions to operations	496,185	-	-	496,185	517,830
Total revenues, gains and other support	**59,895,672**	**-**	**-**	**59,895,672**	**60,041,613**
Expenses:					
Program services:					
Instruction	16,727,100	-	-	16,727,100	15,870,623
Academic support	2,850,883	-	-	2,850,883	3,089,749
Research	182,399	-	-	182,399	142,218
Student services	11,174,143	-	-	11,174,143	10,906,281
Government sponsored financial aid	459,238	-	-	459,238	459,026
Room and board	15,104,294	-	-	15,104,294	14,620,431
Auxiliary enterprises	5,139,341	-	-	5,139,341	5,033,843
Public service	571,986	-	-	571,986	548,558
Total program services	**52,209,384**	**-**	**-**	**52,209,384**	**50,670,729**
Management and general	7,096,500	-	-	7,096,500	6,930,431
Fundraising	2,036,157	-	-	2,036,157	2,082,758
Total expenses	**61,342,041**	**-**	**-**	**61,342,041**	**59,683,918**
Change in net assets from operations	**(1,446,369)**	**-**	**-**	**(1,446,369)**	**357,695**
Non-operating activities:					
Investment income, net of total return appropriated	713,584	383,993	2,205	1,099,782	3,580,547
Land lease income	205,840	-	-	205,840	205,840
Private gifts and grants	275,908	1,229,961	295,564	1,801,433	3,619,969
Non-operating fundraising costs	(107,477)	-	-	(107,477)	(278,342)
Change in fair value of interest rate swaps	969,703	-	-	969,703	2,469,651
Other non-operating activities, net	194,758	107,731	22,826	325,315	(103,700)
Net assets released from restrictions to operations	-	(496,185)	-	(496,185)	(517,830)
Net assets released from restrictions	1,078,495	(1,078,495)	-	-	-
Total non-operating activities	**3,330,811**	**147,005**	**320,595**	**3,798,411**	**8,976,135**
Change in net assets	**1,884,442**	**147,005**	**320,595**	**2,352,042**	**9,333,830**
Net assets, beginning of year	52,530,129	8,127,643	8,205,902	68,863,674	59,529,844
Net assets, end of year	**$ 54,414,571**	**$ 8,274,648**	**$ 8,526,497**	**$ 71,215,716**	**$ 68,863,674**

See accompanying notes to financial statements.

LASELL COLLEGE

Statement of Activities

Year Ended June 30, 2017

	2017			
	Unrestricted	***Temporarily Restricted***	***Permanently Restricted***	***Total***
Revenues, gains and other support:				
Tuition and fees	$ 61,553,721	$ -	$ -	$ 61,553,721
Room and board	18,387,621	-	-	18,387,621
Less: financial aid	(30,325,942)	-	-	(30,325,942)
Net tuition, fees and room and board	49,615,400	-	-	49,615,400
Auxiliary enterprises	6,276,110	-	-	6,276,110
Investment income appropriated	1,330,424	-	-	1,330,424
Federal and state grants	649,156	-	-	649,156
Private gifts and grants	953,611	-	-	953,611
Other revenue	699,082	-	-	699,082
Net assets released from restrictions to operations	517,830	-	-	517,830
Total revenues, gains and other support	**60,041,613**	**-**	**-**	**60,041,613**
Expenses:				
Program services:				
Instruction	15,870,623	-	-	15,870,623
Academic support	3,089,749	-	-	3,089,749
Research	142,218	-	-	142,218
Student services	10,906,281	-	-	10,906,281
Government sponsored financial aid	459,026	-	-	459,026
Room and board	14,620,431	-	-	14,620,431
Auxiliary enterprises	5,033,843	-	-	5,033,843
Public service	548,558	-	-	548,558
Total program services	**50,670,729**	**-**	**-**	**50,670,729**
Management and general	6,930,431	-	-	6,930,431
Fundraising	2,082,758	-	-	2,082,758
Total expenses	**59,683,918**	**-**	**-**	**59,683,918**
Change in net assets from operations	**357,695**	**-**	**-**	**357,695**
Non-operating activities:				
Investment income, net of total return appropriated	2,674,893	901,676	3,978	3,580,547
Land lease income	205,840	-	-	205,840
Private gifts and grants	648,759	2,861,572	109,638	3,619,969
Non-operating fundraising costs	(278,342)	-	-	(278,342)
Change in fair value of interest rate swaps	2,469,651	-	-	2,469,651
Other non-operating activities, net	(291,419)	128,148	59,571	(103,700)
Net assets released from restrictions to operations	-	(517,830)	-	(517,830)
Net assets released from restrictions	1,524,766	(1,524,766)	-	-
Total non-operating activities	**6,954,148**	**1,848,800**	**173,187**	**8,976,135**
Change in net assets	**7,311,843**	**1,848,800**	**173,187**	**9,333,830**
Net assets, beginning of year	45,218,286	6,278,843	8,032,715	59,529,844
Net assets, end of year	**$ 52,530,129**	**$ 8,127,643**	**$ 8,205,902**	**$ 68,863,674**

See accompanying notes to financial statements.

LASELL COLLEGE

Statements of Cash Flows

	Years Ended June 30, 2018	2017
Cash flows from operating activities:		
Change in net assets	$ 2,352,042	$ 9,333,830
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	5,376,296	4,799,875
Provision for bad debts	80,771	73,350
Net realized and unrealized gain on investments	(1,910,188)	(4,229,583)
(Gain) loss on disposal of property and equipment	(3,272)	124,782
Contributions restricted for long-term investment and plant	(1,173,115)	(1,618,000)
Investment income restricted for long-term investment	(2,205)	(3,978)
Change in fair value of interest rate swaps	(969,703)	(2,469,651)
Changes in operating assets and liabilities:		
Cash limited as to use	44,978	(14,840)
Accounts receivable	(868,193)	(1,341,095)
Contributions receivable, net	(239,905)	(937,037)
Beneficial interest in trusts	(143,573)	(194,426)
Other assets	187,555	(388,629)
Accounts payable and accrued expenses	(1,511,489)	1,775,315
Deferred revenue	2,226,256	2,004,209
Deferred land lease revenue	1,669	1,669
Other liabilities	40,000	38,000
Net cash provided by operating activities	**3,487,924**	**6,953,791**
Cash flows from investing activities:		
Proceeds from sales of investments	15,033,980	10,366,148
Purchases of investments	(11,582,643)	(8,153,695)
Purchase of real estate held for investment	(2,482,012)	-
Change in annuity obligations	(304,300)	(20,184)
Proceeds from sale of property and equipment	15,200	14,300
Purchase of property and equipment	(11,161,695)	(17,352,326)
Student loans granted	(62,615)	(56,657)
Student loans collected	67,763	84,072
Change in funds held by trustees under bond agreements	3,636,807	6,380,503
Net cash used in investing activities	**(6,839,515)**	**(8,737,839)**
Cash flows from financing activities:		
Contributions restricted for long-term investment and plant	1,173,115	1,618,000
Investment income restricted for long-term investment	2,205	3,978
Change in federal loan program advances	(50,897)	858
Payments on bonds	(1,403,770)	(1,260,000)
Payments on capital lease obligations	(50,556)	(53,181)
Net cash (used in) provided by financing activities	**(329,903)**	**309,655**
Net decrease in cash and cash equivalents	**(3,681,494)**	**(1,474,393)**
Cash and cash equivalents, beginning of year	5,320,890	6,795,283
Cash and cash equivalents, end of year	**$ 1,639,396**	**$ 5,320,890**

Supplemental Disclosures of Cash Flow Information

Cash payment for interest	$ 2,924,626	$ 2,945,576
Amounts included in accounts payable for purchase of property and equipment	$ 555,939	$ 3,382,259

See accompanying notes to financial statements.

Note 1 - Organization and Summary of Significant Accounting Policies

Organization

Lasell College (the "College"), founded in 1851, is an independent, comprehensive coeducational college located in Newton, Massachusetts, offering professionally oriented bachelor's and master's degree programs. The student population is drawn predominantly from the Northeast region of the United States. The College is accredited by the New England Commission of Higher Education, Inc., formerly known as the New England Association of Schools and Colleges, Inc., and participates in student financial assistance programs sponsored by the United States Department of Education and the Commonwealth of Massachusetts. These programs facilitate the payment of tuition and other expenses for students.

Lasell, Inc., a not-for-profit organization, is the sole member of the College. Lasell, Inc. is also the sole member of Lasell Village, Inc. (the "Village"). The Village is a Massachusetts charitable corporation formed in 1990 to establish and operate an educational continuing care retirement community (the "Facility") in Newton, Massachusetts. The financial statements only reflect the activities of the College and do not include the Village or Lasell, Inc.

Financial Statement Presentation

The financial statements of the College have been prepared on the accrual basis of accounting.

Net assets and revenues, expenses, gains and losses are classified based on the existence or the absence of donor-imposed restrictions. Accordingly, the net assets classifications are defined as follows:

Unrestricted - Net assets that are not subject to donor-imposed stipulations. Unrestricted net assets may be designated for specific purposes by action of the Board of Trustees or may otherwise be limited by contractual agreements with outside parties.

Temporarily restricted - Net assets subject to donor-imposed stipulations that may or will be met either by the passage of time and/or actions of the College.

Permanently restricted - Net assets subject to donor-imposed stipulations that require funds to be permanently held. Generally, the donors of these assets permit the use of all or part of the income earned on these assets. Such net assets primarily include the College's permanent endowment funds.

Cash and Cash Equivalents

Cash and cash equivalents include all highly liquid instruments purchased with an initial maturity of three months or less, excluding balances whose use is restricted or included in the investment accounts. Cash equivalents held by investment managers are considered part of investments given the expectation of near term reinvestment. The College maintains its cash in bank deposit accounts which, at times, may exceed federally insured limits. The College monitors its exposure associated with cash and cash equivalents and has not experienced any losses in such accounts.

Note 1 - Organization and Summary of Significant Accounting Policies (Continued)

Cash Limited as to Use

Cash limited as to use includes amounts deposited in debt service funds, primarily for scheduled debt service due July 1. Cash limited as to use also includes cash restricted for student loan funds.

Accounts Receivable

Accounts receivable are reported at the amount management expects to collect on balances outstanding at year-end. Management estimates the allowance for doubtful accounts based on history of collections and knowledge acquired about specific items. Adjustments to the allowance are charged to bad debt expense. Uncollectible accounts are written off against the reserve when deemed uncollectible; recoveries are recorded when received. An account is considered uncollectible when all efforts to collect the account have been exhausted. Interest is not charged on receivables.

Financing Receivables

Student loans receivable are funds loaned to students by the College under the Federal Perkins Loan Program ("Perkins").

Perkins funds may be re-loaned by the College after collection, but in the event that the College no longer participates in the Program, the amounts are generally refundable to the Federal government. Loans receivable are carried at their net realizable value. Interest and late fees are recorded when received. Loans receivable are considered in default if any portion of the balance due is outstanding for more than 240 days. Loans that are in default and meet certain requirements may be assigned to the Department of Education, which reduces the Perkins Loans refundable advances.

For all loans, management estimates the allowance for credit losses based on historical losses, current economic conditions and the credit quality of the loans.

Contributions Receivable, Gifts and Grants Revenue

Unconditional promises to give are reported at fair value on the date the promise is verifiably committed. Fair value of the initial recordings is determined in accordance with the fair value policies outlined below. The initially recorded fair value is considered a Level 2 fair value approach. Unconditional promises to give that are expected to be collected within one year are recorded at net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of the estimated future cash flows. The discounts on those amounts are computed using a risk adjusted interest rate applicable to the years in which the promises are expected to be received. Amortization of the discount is recorded as additional contribution revenue in accordance with donor-imposed restrictions, if any, on the contributions. An allowance for uncollectible contributions receivable is provided based upon management's judgment of potential defaults. The determination includes such factors as prior collection history, type of contribution and nature of fund raising activity. Conditional promises to give are not included as support until the conditions are substantially met.

Note 1 - Organization and Summary of Significant Accounting Policies (Continued)

Contributions Receivable, Gifts and Grants Revenue (Continued)

Gifts of cash and other assets are reported as restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the Statements of Activities as net assets released from restrictions.

Contributions received with donor-imposed restrictions that are met in the same year as received are reported as unrestricted net assets.

Gifts of equipment or other assets are reported as unrestricted support unless explicit donor stipulations specify how the donated assets must be used. Fair value of donated equipment or other assets is effectively recorded using a Level 3 market approach. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted support. Absent explicit donor stipulations regarding how long those long-lived assets must be maintained, the College reports expirations of donor restrictions when the donated or acquired long-lived assets are placed in service.

Beneficial Interests in Trusts

The College is a 100% income beneficiary of an irrevocable perpetual trust controlled by a third-party trustee. The College is also the remainderman in two irrevocable trusts and three irrevocable gift annuity trusts controlled by third-party trustees. In addition, the College has an annuity interest through 2022 in an irrevocable charitable lead annuity trust controlled by a third-party trustee.

The initially recorded fair value of the beneficial interests in trusts are determined based on the underlying nature of the investments held which have generally represented Level 3 measurements, while the initial measurements of any related life expectancies are Level 2 measurements.

Charitable Gift Annuity Obligations

Assets received under gift annuity agreements are invested with the other investments of the College. Assets received under charitable remainder trust annuity agreements where the College is the trustee are invested in separate investment accounts, and included in investments in the Statements of Financial Position. In connection with these annuity gifts, the College records a liability equal to the present value of future cash flows expected to be paid to the beneficiaries based on the actuarial expected lives and records the estimated net residual amount as a contribution at the date of the gift.

The initially recorded fair value of the charitable gift annuities are determined based on the underlying nature of the investments received which have generally represented Level 3 measurements while the initial measurement of the related obligations are Level 2 measurements.

Assets of charitable gift annuities are recorded at fair value, net of the present value of the liability for income payable to the donor or the donor's designee, and in the appropriate net asset category based on donor stipulation. Related contributions are recognized as contribution revenue equal to the present value of future benefits less the liability for income payable to the donor or the donor's designee.

Note 1 - Organization and Summary of Significant Accounting Policies (Continued)

Charitable Gift Annuity Obligations (Continued)

During the term of these agreements, changes in the value of split-interest agreements are recognized in the Statements of Activities based on accretion of the discounted amount of the contribution, the expected future benefits to be received by the College, changes in the fair value of underlying investments and the expected future payment to other beneficiaries, based on changes in life expectancy and other actuarial assumptions. Discount rates ranging from 1.2% and 9.8% were used in these calculations. The discount rates were equivalent to the IRS discount rate which approximated fair value at the time the College entered into the arrangement.

The change in the value of the gift annuity agreements is included in other non-operating activities in the Statements of Activities and was $220,761 and ($134,281) for the years ended June 30, 2018 and 2017, respectively.

Investments

Investments are stated at fair value. Fair value is determined as per the fair value policies described later in this section. Accordingly, changes in fair values are reflected in the Statements of Activities as gains or losses on investments included in investment results.

Interest, dividends and net gains or losses on investments are reported: (1) as increases or decreases in permanently restricted net assets if the terms of the original gift require that they be applied to the principal of a permanent endowment fund; (2) as increases or decreases in temporarily restricted net assets if the terms of the gift and/or relevant state law impose restrictions on the current use of the income or net gains and losses; and (3) as increases or decreases in unrestricted net assets in all other cases.

Distributions from the investment portfolio are approved by the Board of Trustees using a total return method and consist of unrestricted and temporarily restricted interest, dividends and realized and unrealized gains. The Board of Trustees has established a spending rate based upon the rolling three-year average fair value of the investments (5.0% and 4.0% for the years ended June 30, 2018 and 2017, respectively). The College adopted this spending policy in order to protect the inviolate nature of the original corpus of gifts, as well as to preserve the purchasing power of these funds into the future.

Investments include a separate investment account for a charitable gift annuity. Investments also include certain artwork which was gifted to the College by an artist and for which the College is holding in anticipation of an increase in its fair value and a life insurance policy which was gifted to the College and which is valued at the cash value of the policy.

Real Estate Held for Investment

Real estate held for investment consists of six residential properties adjacent to the campus which are being held for investment purposes. Fair value of real estate held for investment is effectively recorded using a Level 2 market approach.

Note 1 - Organization and Summary of Significant Accounting Policies (Continued)

Property and Equipment

Property and equipment is stated at cost if purchased or fair value if donated. Fair value of donated property and equipment is effectively recorded using a Level 3 market approach. Property and equipment is depreciated using straight-line methods over the lesser of the estimated useful lives of related assets, and in the case of assets under capital leases, their respective lease terms. Projects that are comprised of multiple phases are placed into service at the substantial completion of each phase. Expenditures for maintenance and repairs are expensed as incurred. Betterments, which increase the value or materially extend the life of the related assets, are capitalized.

Category	*Life*
Buildings	20-40 years
Building improvements	10 years
Land improvements	10 years
Furniture, fixtures and equipment	3-7 years
Motor vehicles	5 years

In the normal course of its operations, the College incurs legal obligations to perform certain retirement activity with regard to the ultimate disposition of some of its tangible long-lived assets due to the nature of material used in their construction or operation. The timing of the performance of these retirement activities is within the control of the College and, due to the long useful lives of these assets, will be performed at some future date. The estimated liability for these activities is included in other liabilities on the Statements of Financial Position. It amounted to $44,500 at June 30, 2018 and 2017. Interest related to the construction of capital assets is capitalized as a component of the cost of developing capital assets.

Deferred Revenue

Deferred revenue represents tuition and student deposits paid in advance, which are recognized as income when the related educational services are provided. In addition, deferred revenue also includes an upfront payment from a vendor that will be recognized as revenue over the life of the service contract with this vendor.

Deferred Land Lease Revenue

Deferred land lease revenue represents payments in excess of revenue recognized in connection with the College’s land lease to Lasell Village. Land lease income is recognized on the straight-line basis over the lease term and is recorded as a non-operating activity within the Statements of Activities.

Note 1 - Organization and Summary of Significant Accounting Policies (Continued)

Fair Value of Interest Rate Swap

The fair value of interest rate swap is recorded at each period-end as either an asset or a liability, based on the estimated value of the contract at year-end. Fair value is determined as per the fair value policies as described later in this section. The change in the fair value of the contract is measured at each period-end and recorded as a non-operating activity within the Statements of Activities.

Tuition, Fees, Room and Board

Tuition, fees, room, board and auxiliary enterprise fees are recognized as revenues when the related educational and other services are provided.

Auxiliary Enterprises

Auxiliary enterprise revenue consists of the following for the years ended June 30:

	2018	2017
Childcare programs	$ 1,557,005	$ 1,535,172
Contracts with Lasell Village (see Note 16)	1,897,790	1,946,569
Collaborative services (see Note 17)	1,731,204	1,730,241
Third-party campus programs	500,642	430,637
Other auxiliary enterprises	654,400	633,491
	$ 6,341,041	**$ 6,276,110**

Functional Expense Allocation

Certain common costs have been allocated to functions based on percentage of effort, usage, square footage and other criteria.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. Significant estimates include the reserves on student loans, contributions receivable and accounts receivable, the measurement of deferred revenues, estimated lives of property and equipment, fair value of investments, conditional asset retirement obligations, measurement of obligation from group health self-insurance program, valuation of interests in and obligations under split interest agreements, valuation of interest rate swaps, the functional allocation of overhead expenses and releases from donor restrictions.

Note 1 - Organization and Summary of Significant Accounting Policies (Continued)

Operations

The Statements of Activities report the changes in unrestricted, temporarily restricted and permanently restricted assets from operating and non-operating activities. Unrestricted operating revenues consist of those items attributable to the College's primary mission of providing education. Investment income included in operations reflects the amount computed using the spending policy for the period as approved by the Board of Trustees, as well as investment income earned on operating cash and cash equivalents. All other investment income or losses are reported as non-operating activities. Operating revenue also includes contributions received related to annual fund support and support of College operations while all other contributions are classified as non-operating. Fundraising costs associated with conducting capital campaigns and net assets released from restriction related to funds contributed to capital campaigns are included in non-operating activities. Non-operating activities also includes land lease income from affiliate, gains and losses on interest rate swap contracts, and other non-operating activities, which principally consists of the change in value of various split-interest agreements.

Fair Value Measurements

The College reports certain assets and liabilities at fair value on a recurring and nonrecurring basis depending on the underlying accounting policy for the particular item. Recurring fair value measures include the College's investment accounts, interest rate swaps and deposits with trustees. Nonrecurring measures include pledges, asset retirement obligations, and annuity obligations. These standards require an entity to maximize the use of observable inputs (such as quoted prices in active markets) and minimize the use of unobservable inputs (such as appraisals or valuation techniques) to determine fair value. In addition, the College reports certain investments using the net asset value per share as determined by investment managers under the so called "practical expedient." The practical expedient allows net asset value per share to represent fair value for reporting purposes when the criteria for using this method are met. Fair value standards also require the College to classify financial instruments (but for those measured using NAV) into a three-level hierarchy, based on the priority of inputs to the valuation technique.

Instruments measured and reported at fair value are classified and disclosed in one of the following categories:

Level 1 – Quoted prices are available in active markets for identical instruments as of the reporting date. Instruments, which are generally included in this category, include listed equity and debt securities publicly traded on a stock exchange.

Level 2 – Pricing inputs are other than quoted prices in active markets, which are either directly or indirectly observable as of the reporting date, and fair value is determined through the use of models or other valuation methodologies.

Level 3 – Pricing inputs are unobservable for the instrument and include situations where there is little, if any, market activity for the instrument. The inputs into the determination of fair value require significant management judgment or estimation.

Note 1 - Organization and Summary of Significant Accounting Policies (Continued)

Fair Value Measurements (Continued)

In some instances, the inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such instances, an instrument's level within the fair value hierarchy is based on the lowest level of input that is significant to the fair value measurement.

Market price is affected by a number of factors, including the type of instrument and the characteristics specific to the instrument as well as the effects of market, interest and credit risk. Instruments with readily available active quoted prices or for which fair value can be measured from actively quoted prices generally will have a higher degree of market price observability and a lesser degree of judgment used in measuring fair value. It is reasonably possible that changes in values of these instruments will occur in the near term and that such changes could materially affect amounts reported in these financial statements. For more information on the fair value of the College's financial instruments, see Note 9 - Fair Values of Financial Instruments.

Tax Status

The College has obtained a determination letter dated November 30, 1970 from the Internal Revenue Service stating that it is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code. Accordingly, no provision for income taxes has been included in the accompanying financial statements.

Uncertain Tax Positions

The College accounts for the effect of any uncertain tax positions based on a "more likely than not" threshold to the recognition of the tax positions being sustained based on the technical merits of the position under scrutiny by the applicable taxing authority. If a tax position or positions are deemed to result in uncertainties of those positions, the unrecognized tax benefit is estimated based on a "cumulative probability assessment" that aggregates the estimated tax liability for all uncertain tax positions. The College has identified its tax status as a tax-exempt entity and its determination as to its income being related or unrelated as its only significant tax positions; however, the College has determined that such tax positions do not result in an uncertainty requiring recognition. The College is not currently under examination by any taxing jurisdiction. The College's Federal and state income tax returns are generally open for examination for three years following the date filed.

Reclassifications

Certain reclassifications have been made to the 2017 financial statements to conform to presentations used in 2018.

Subsequent Events

The College has evaluated subsequent events through October 12, 2018, the date the financial statements were issued. There were no subsequent events requiring accounting or disclosure through this period.

Note 2 - Cash Limited as to Use

Cash limited as to use consisted of the following at June 30:

		2018		***2017***
Debt service funds	$	1,339,200	$	1,316,200
Student loan funds		5,143		73,121
Cash limited as to use	**$**	**1,344,343**	**$**	**1,389,321**

The balance of debt service funds at June 30, 2018 and 2017 represents scheduled debt service due on July 1st of the respective years.

Note 3 - Accounts Receivable

Accounts receivable and the allowance for doubtful accounts consist of the following at June 30:

2018		***Balance***		***Allowance***		***Net***
Student accounts:						
Undergraduate	$	1,023,872	$	(197,000)	$	826,872
Graduate		416,093		(45,600)		370,493
Total student accounts		1,439,965		(242,600)		1,197,365
Third party collections in transit		1,684,830		-		1,684,830
Other		386,922		(6,000)		380,922
Accounts receivable	**$**	**3,511,717**	**$**	**(248,600)**	**$**	**3,263,117**

2017		***Balance***		***Allowance***		***Net***
Student accounts:						
Undergraduate	$	462,886	$	(178,600)	$	284,286
Graduate		331,860		(30,700)		301,160
Total student accounts		794,746		(209,300)		585,446
Third party collections in transit		1,491,937		-		1,491,937
Other		403,312		(5,000)		398,312
Accounts receivable	**$**	**2,689,995**	**$**	**(214,300)**	**$**	**2,475,695**

Note 4 - Contributions Receivable

Contributions receivable consist of unconditional promises to give as follows as of June 30:

		2018		2017
Amounts due:				
In one year or less	$	1,212,682	$	562,333
From one to five years		2,080,188		2,511,085
		3,292,870		3,073,418
Less: unamortized discount (discount rates ranging from 0.90% to 3.38%)		(86,941)		(126,001)
Less: allowance for doubtful accounts		(289,189)		(270,582)
Contributions receivable, net	**$**	**2,916,740**	**$**	**2,676,835**

At June 30, 2018, 64% of gross contributions receivable was due from one donor.

Note 5 - Student Loans Receivables

Student loans receivables consist of the following at June 30:

		30-60 Days Past Due		60-90 Days Past Due		Greater than 90 Days Past Due		Total Past Due		Current		Total Financing Receivable
June 30, 2018												
Perkins loans	$	13,286	$	11,146	$	135,899	$	160,331	$	239,002	$	399,333
Credit reserve		-		-		(35,941)		(35,941)		-		(35,941)
Total	**$**	**13,286**	**$**	**11,146**	**$**	**99,958**	**$**	**124,390**	**$**	**239,002**	**$**	**363,392**
June 30, 2017												
Perkins loans	$	49,000	$	4,367	$	114,167	$	167,534	$	236,947	$	404,481
Credit reserve		-		-		(35,941)		(35,941)		-		(35,941)
Total	**$**	**49,000**	**$**	**4,367**	**$**	**78,226**	**$**	**131,593**	**$**	**236,947**	**$**	**368,540**

The Perkins loans were evaluated for impairment. There were no charge-offs, recoveries or changes in the provision for the years then ended.

Note 6 - Funds Held by Trustees under Bond Agreements

In accordance with the bond agreements (see Note 12), the College maintains funds on deposit with the bond trustees for debt service reserves and cost reimbursement of bond financed projects. The funds held by the trustees for debt service reserve funds under the Series 2011 bond agreement are primarily invested in U.S. government obligations as permitted by the bond agreement. The funds held by the trustees for the project funds under the Series 2015 bond agreement are held in a commercial loan account at Citizens Bank, N.A., the holder of the bonds. The funds are carried at fair value based on quoted market prices and amounted to the following at June 30:

	2018	2017
Debt service reserve funds		
Government obligation mutual fund	$ 93,327	$ 85,448
Federal Home Loan Mortgage Corporation bond	927,514	938,667
Federal Farm Credit Banks bond	496,320	497,005
Federal National Mortgage Association bond	247,402	247,910
U.S. Treasury note	190,554	194,546
	1,955,117	1,963,576
Project funds		
Citizens Bank, N.A. commercial loan account	-	3,645,028
Funds held by trustees under bond agreements	**$ 1,955,117**	**$ 5,608,604**

Note 7 - Beneficial Interests in Trusts

Beneficial interests in trusts consisted of the following at June 30:

	2018	2017
Irrevocable perpetual trust	$ 614,740	$ 589,469
Remainder interest in irrevocable trusts	1,363,281	1,276,788
Remainder interest in irrevocable gift annuity trusts	747,778	711,541
Annuity interest in irrevocable charitable lead annuity trust	21,670	26,098
Beneficial interests in trusts	**$ 2,747,469**	**$ 2,603,896**

The change in the value of the irrevocable trusts is included in other non-operating activities, net on the Statements of Activities and was $148,576 and $199,429 for the years ended June 2018 and 2017, respectively.

Note 8 - Investment Return

Investment return consisted of the following for the years ended June 30:

		2018		2017
Interest and dividends	$	944,802	$	829,413
Less: investment fees		(157,628)		(148,025)
Interest and dividends, net of investment fees		787,174		681,388
Net unrealized and realized gains		1,910,188		4,229,583
Total investment return	**$**	**2,697,362**	**$**	**4,910,971**

Reconciliation of investment return as presented in the Statements of Activities is as follows for the years ended June 30:

		2018		2017
Operating - investment income appropriated	$	1,597,580	$	1,330,424
Non-operating - investment income, net of total return appropriated		1,099,782		3,580,547
Total investment return	**$**	**2,697,362**	**$**	**4,910,971**

Note 9 - Fair Values of Financial Instruments

The valuation of the College's instruments using the fair value hierarchy consisted of the following at June 30, 2018:

	Total	*Investments Measured at NAV*	*Level 1*	*Level 2*	*Level 3*
Assets:					
Beneficial interests in trusts	$ 2,747,469	$ -	$ -	$ -	$ 2,747,469
Funds held by trustees under bond agreements	1,955,117	-	1,955,117	-	-
Real estate held for investment	4,678,012	-	-	4,678,012	-
Investments:					
Mutual funds - equity:					
Multiple strategies	3,228,809	-	3,228,809	-	-
Indexed based	5,831,859	-	5,831,859	-	-
International	11,208,074	-	11,208,074	-	-
Other	92,580	-	92,580	-	-
Mutual funds - fixed income:					
Multiple strategies	9,216,103	-	9,216,103	-	-
Other	59,138	-	59,138	-	-
Mutual funds - equity/fixed income	1,994,642	-	1,994,642	-	-
Mutual funds - other	4,423	-	4,423	-	-
Alternative investments:					
Energy debt fund	2,461,123	2,461,123	-	-	-
GPA III Private equity fund	1,194,169	1,194,169	-	-	-
GPA IV Private equity fund	165,689	165,689	-	-	-
Offshore opportunity fund	1,147,084	1,147,084	-	-	-
Insurance contracts	56,711	-	-	56,711	-
Artwork	71,700	-	-	-	71,700
Total investments	36,732,104	4,968,065	31,635,628	56,711	71,700
Total assets	**$ 46,112,702**	**$ 4,968,065**	**$ 33,590,745**	**$ 4,734,723**	**$ 2,819,169**
Liabilities:					
Fair value of interest rate swaps	**$ 4,513,534**	**$ -**	**$ -**	**$ 4,513,534**	**$ -**

All investments measured at NAV have redemption periods of over 90 days at June 30, 2018.

Unfunded commitments under various investment vehicles amounted to approximately $750,000 at June 30, 2018.

Note 9 - Fair Values of Financial Instruments (Continued)

The valuation of the College's instruments using the fair value hierarchy consisted of the following at June 30, 2017:

	Total	Investments Measured at NAV	Level 1	Level 2	Level 3
Assets:					
Beneficial interests in trusts	$ 2,603,896	$ -	$ -	$ -	$ 2,603,896
Funds held by trustees under bond agreements	5,608,604	-	5,608,604	-	-
Real estate held for investment	2,196,000	-	-	2,196,000	-
Investments:					
Cash equivalents	164,627	-	164,627	-	-
Mutual funds - equity:					
Large cap	4,307,706	-	4,307,706	-	-
Small/mid cap	2,702,662	-	2,702,662	-	-
Multiple strategies	4,251,703	-	4,251,703	-	-
International	9,955,158	-	9,955,158	-	-
Other	90,705	-	90,705	-	-
Mutual funds - fixed income:					
Multiple strategies	10,053,084	-	10,053,084	-	-
Other	65,412	-	65,412	-	-
Mutual funds - equity/fixed income	2,324,956	-	2,324,956	-	-
Mutual funds - other	3,279	-	3,279	-	-
Alternative investments:					
Energy debt fund	2,194,920	2,194,920	-	-	-
GPA III Private equity fund	910,569	910,569	-	-	-
Offshore opportunity fund	1,106,181	1,106,181	-	-	-
Insurance contracts	53,911	-	-	53,911	-
Artwork	71,700	-	-	-	71,700
Total investments	38,256,573	4,211,670	33,919,292	53,911	71,700
Total assets	**$ 48,665,073**	**$ 4,211,670**	**$ 39,527,896**	**$ 2,249,911**	**$ 2,675,596**
Liabilities:					
Fair value of interest rate swaps	**$ 5,483,237**	**$ -**	**$ -**	**$ 5,483,237**	**$ -**

Many of the College's investment funds contain clauses that under certain unusual circumstances trustees and fund managers may limit distributions from the related fund. The College has not experienced such limitations over distributions from its funds during 2018 or 2017.

Note 9 - Fair Values of Financial Instruments (Continued)

The changes in instruments measured at fair value for which the College has used Level 3 inputs to determine fair value are as follows:

	Beneficial Interests in Trusts	Artwork	Total
Balance as of July 1, 2016	$ 2,409,470	$ 71,700	$ 2,481,170
Distribution	(5,003)	-	(5,003)
Change in value of beneficial interests	199,429	-	199,429
Balance as of June 30, 2017	2,603,896	71,700	2,675,596
Distribution	(5,003)	-	(5,003)
Change in value of beneficial interests	148,576	-	148,576
Balance as of June 30, 2018	**$ 2,747,469**	**$ 71,700**	**$ 2,819,169**

Note 10 - Property and Equipment

Property and equipment consist of the following at June 30:

	2018	2017
Land and improvements	$ 6,926,335	$ 6,351,296
Buildings and improvements	130,314,115	102,601,127
Furniture, fixtures and equipment	10,989,304	10,228,454
Motor vehicles	714,625	774,270
Construction in progress	1,632,381	23,833,257
Total property and equipment	150,576,760	143,788,404
Less: accumulated depreciation and amortization	(57,348,762)	(53,583,438)
Property and equipment, net	**$ 93,227,998**	**$ 90,204,966**

Interest related to the construction of capital assets is capitalized as a component of the cost of acquiring capital assets. Interest capitalized amounted to $233,671 and $216,205 for the years ended June 30, 2018 and 2017, respectively.

Note 11 - Capital Lease Obligations

The College leases motor vehicles under various leases which are classified as capital leases. The obligations associated with these leases are included in other liabilities on the Statements of Financial Position. The amount of assets recorded under capital leases is included in property and equipment and had a capitalized value of $254,153 with related accumulated amortization associated of $162,202 and $111,368 at June 30, 2018 and 2017, respectively.

Future minimum lease payments for capital leases are as follows for the years ending June 30:

2019	$ 45,135
2020	31,716
2021	23,144
2022	7,420
Total minimum lease payments	107,415
Less: amount representing interest	(8,021)
	$ 99,394

Note 12 - Bonds Payable

Bonds payable consist of the following at June 30:

	2018	2017
Citizens Bank, N.A. Series 2015 direct placement, Massachusetts Development Finance Agency ("MDFA") Revenue Bonds. The bonds are payable in varying monthly installments commencing in 2018 with final maturity in 2045. Interest is payable on a monthly basis with the interest rate fixed for ten years at 3%.	$ 9,886,230	$ 10,000,000
Series 2011, MDFA Revenue Bonds. The bonds are payable in varying annual installments due July 1 with final maturity in 2041. Interest is payable semi-annually with fixed interest rates ranging from 5% to 6%.	21,565,000	22,245,000
Citizens Bank, N.A. Series 2008 direct placement, MDFA Revenue Bonds. The bonds are payable in varying annual installments due July 1 with final maturity in 2038. Interest is payable on a monthly basis with interest accruing at the prevailing market rate (4.74% and 4.73% at June 30, 2018 and 2017, respectively). Interest is fixed via the use of interest rate swap agreements (Note 13).	9,880,000	10,150,000
Citizens Bank, N.A. Series 2006 direct placement, MDFA Revenue Bonds. The bonds are payable in varying annual installments on July 1 with final maturity in 2036. Interest is payable on a monthly basis with interest accruing at the prevailing market rate (5.05% and 5.01% at June 30, 2018 and 2017, respectively). Interest is fixed via the use of interest rate swap agreements (Note 13).	16,170,000	16,510,000
	57,501,230	58,905,000
Less: bond issuance costs, net	(861,973)	(903,300)
Less: unamortized discount, net	(415,968)	(450,522)
Bonds payable, net	**$ 56,223,289**	**$ 57,551,178**

All debt is secured by the tuition receipts of the College. The College is subject to certain financial and non-financial debt covenants.

Note 12 - Bonds Payable (Continued)

Sinking fund requirements and aggregate principal repayments on the bonds for the next five years and thereafter are as follows for the years ending June 30:

2019	$ 1,592,083
2020	1,673,660
2021	1,742,094
2022	1,824,973
2023	1,913,104
Thereafter	48,755,316
	$ 57,501,230

Interest expense consists of the following for the years ended June 30:

	2018	***2017***
Bond interest expense	$ 2,843,691	$ 2,917,533
Other interest expense	60,595	23,362
Less capitalized interest	(233,671)	(216,205)
Interest expense	**$ 2,670,615**	**$ 2,724,690**

Bond issuance costs are capitalized and amortized on the straight-line basis over the life of the bonds. Bond issuance costs of $1,268,615 are net of accumulated amortization of $406,642 and $365,315 at June 30, 2018 and 2017, respectively. Amortization expense related to the bond issuance costs amounted to $41,327 for the years ended June 30, 2018 and 2017.

Note 13 - Derivative Instruments

The College uses interest rate swaps to manage interest rate risk exposure. The College's interest rate swaps effectively mitigate exposure to interest rate risk, primarily through converting portions of floating rate debt under the bond agreement to a fixed rate basis. These agreements involve the receipt or payment of floating rate amounts in exchange for fixed rate interest payments over the life of the agreements without an exchange of the underlying principal amounts. The College does not enter into derivative instruments for trading or speculative purposes.

Each of the College's interest rate swaps has been recorded as a liability in the Statements of Financial Position at fair value. Changes in fair value are recorded as gains or losses on swap contracts in the period incurred.

Note 13 - Derivative Instruments (Continued)

As a result of the use of derivative instruments, the College is exposed to risk that the counterparties will fail to meet their contractual obligation. To mitigate the counterparty risk, the College only enters into contracts with selected major financial institutions based upon their credit ratings and other factors, and continually assesses the creditworthiness of counterparties. At June 30, 2018 and 2017, all of the counterparties to the College's interest rate swaps had investment grade ratings. To date, all counterparties have performed in accordance with their contractual obligation. The current year swaps contain no credit risk-related contingent features in the College's interest rate swaps nor do the swaps contain provisions under which the College has, or would be required, to post collateral.

The College had the following interest rate swap liabilities outstanding at June 30:

2018

Remaining Notional Amount	Termination Date	Interest Rate Received	Interest Rate Paid	Fair Value
$ 9,947,238	7/01/2038	68% of one month LIBOR	3.435%	$ 1,488,634
11,275,000	7/01/2036	67% of one month LIBOR	3.745%	2,416,504
4,895,000	7/01/2031	67% of one month LIBOR	3.795%	608,396
$ 26,117,238				**$ 4,513,534**

2017

Remaining Notional Amount	Termination Date	Interest Rate Received	Interest Rate Paid	Fair Value
$ 10,211,643	7/01/2038	68% of one month LIBOR	3.435%	$ 1,861,151
11,370,000	7/01/2036	67% of one month LIBOR	3.745%	2,817,158
5,140,000	7/01/2031	67% of one month LIBOR	3.795%	804,928
$ 26,721,643				**$ 5,483,237**

Note 14 - Net Assets and Endowment Matters

The College's endowment includes both donor-restricted endowment funds and funds designated by the Board of Trustees to function as endowments. As required by generally accepted accounting principles ("GAAP"), net assets associated with endowment funds, including funds designated by the Board of Trustees to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

Unrestricted Net Assets

Unrestricted net assets are comprised of the following at June 30:

	2018	***2017***
Property and equipment	$ 34,207,318	$ 31,745,574
Board-designated:		
Functioning as endowment	21,846,981	20,684,053
Operating	(1,639,728)	100,502
	$ 54,414,571	**$ 52,530,129**

Property and equipment - The value of buildings and equipment, net of depreciation, used in the College's operations. This amount is offset by outstanding liabilities related to the assets, such as bond debt.

Board-designated - Funds set aside by the Board of Trustees for strategic purposes and to provide investment income to support operations. These amounts may only be used with the approval of the Board of Trustees.

Operating - Discretionary funds available for carrying on the operating activities of the College.

Note 14 - Net Assets and Endowment Matters (Continued)

Temporarily Restricted Net Assets

Temporarily restricted net assets are comprised of the following at June 30:

	2018	2017
Unrealized and realized cumulative net gains on permanently restricted investments:		
General support	$ 1,298,076	$ 1,176,156
Restricted	777,906	700,757
	2,075,982	1,876,913
Purpose restricted	644,479	431,455
Time restricted:		
Contributions receivable	2,275,219	2,657,089
Split-interest agreements	146,239	147,759
Donor restricted	1,000,000	1,000,000
Beneficial interests held by others	2,132,729	2,014,427
	$ 8,274,648	**$ 8,127,643**

Unrealized/realized cumulative net gains on permanently restricted investments - Under Massachusetts state law, these amounts represent unappropriated gains on permanently restricted endowment net assets.

Purpose restricted - Amounts received with donor restrictions which have not yet been expended for their designated purposes.

Time restricted - Amounts received with or without donor restrictions for various purposes which have not yet been expended for their designated purposes.

Split-interest agreements - Assets under split-interest agreements, with either an unrestricted or purpose restricted remainder interest, for which the use of the remainder interest is by nature time restricted.

Beneficial interests held by others - Assets held in trust where the College is the beneficiary of an unrestricted or purpose restricted remainder interest.

Note 14 - Net Assets and Endowment Matters (Continued)

Permanently Restricted Net Assets

Permanently restricted net assets are comprised of the following at June 30:

	2018	2017
Endowment principal:		
General support	$ 4,712,503	$ 4,474,043
Restricted	3,101,364	3,095,864
	7,813,867	7,569,907
Contributions receivable	71,350	19,746
Split-interest agreements	17,540	17,780
Beneficial interest held in perpetuity by others	614,740	589,469
Loan funds	9,000	9,000
	$ 8,526,497	**$ 8,205,902**

Endowment principal - Amounts restricted by donors against any expenditure of principal. Substantially all the income earned on principal may be used for general or donor-restricted purposes and is recorded in unrestricted net assets or temporarily restricted net assets, as appropriate.

Split-interest agreements - Assets under split-interest agreements for which the remainder interest is permanently restricted by the donor.

Beneficial interest held in perpetuity by others - Assets held in trust in perpetuity for which the College is the beneficiary of annual distributions of income.

Net assets released from restrictions consist of the following during the years ended June 30:

	2018	2017
Operating:		
Program services	$ 480,357	$ 512,827
Collection of unrestricted contributions receivable	10,825	-
Distribution from split-interest agreements	5,003	5,003
Total operating	496,185	517,830
Non-operating:		
Capital improvements	877,551	1,508,363
Collection of unrestricted capital campaign contributions receivable	200,944	16,403
Total non-operating	1,078,495	1,524,766
Total	**$ 1,574,680**	**$ 2,042,596**

Note 14 - Net Assets and Endowment Matters (Continued)

The following represents required disclosure relative to the composition and activities of endowment and funds functioning as endowment for the year ended June 30, 2018:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted endowment funds	$ -	$ 3,075,982	$ 7,902,756	$ 10,978,738
Other endowment funds	-	2,278,968	614,740	2,893,708
Board-designated funds	21,846,981	-	-	21,846,981
Total funds	**$ 21,846,981**	**$ 5,354,950**	**$ 8,517,496**	**$ 35,719,427**

	Unrestricted Net Assets	Temporarily Restricted Net Assets	Permanently Restricted Net Assets	Total
Endowment assets and those functioning as endowment assets at beginning of year	$ 20,684,053	$ 5,039,099	$ 8,196,902	$ 33,920,054
Gifts and additions	225,439	-	295,564	521,003
Split-interest agreements and trusts activity	227,437	114,071	22,826	364,334
Endowment returns:				
Interest and dividends, net of investment expenses	575,666	174,736	580	750,982
Net realized and unrealized gains	1,450,133	475,110	1,625	1,926,868
Total endowment returns	2,025,799	649,846	2,205	2,677,850
Amounts appropriated for operations and other purposes	(1,315,747)	(448,066)	-	(1,763,813)
Change in endowment assets and those functioning as endowment assets	1,162,928	315,851	320,595	1,799,374
Endowment assets and those functioning as endowment assets at end of year	**$ 21,846,981**	**$ 5,354,950**	**$ 8,517,497**	**$ 35,719,428**

Note 14 - Net Assets and Endowment Matters (Continued)

The following represents required disclosure relative to the composition and activities of endowment and funds functioning as endowment for the year ended June 30, 2017:

	Unrestricted	*Temporarily Restricted*	*Permanently Restricted*	*Total*
Donor-restricted endowment funds	$ -	$ 2,876,913	$ 7,607,433	$ 10,484,346
Other endowment funds	-	2,162,186	589,469	2,751,655
Board-designated funds	20,684,053	-	-	20,684,053
Total funds	**$ 20,684,053**	**$ 5,039,099**	**$ 8,196,902**	**$ 33,920,054**

	Unrestricted Net Assets	*Temporarily Restricted Net Assets*	*Permanently Restricted Net Assets*	*Total*
Endowment assets and those functioning as endowment assets at beginning of year	$ 24,228,170	$ 4,107,083	$ 8,023,715	$ 36,358,968
Gifts and additions	245,143	14,525	135,000	394,668
Split-interest agreements and trusts activity	(133,587)	159,524	34,208	60,145
Endowment returns:				
Interest and dividends, net of investment expenses	480,121	136,756	495	617,372
Net realized and unrealized gains	3,274,972	971,474	3,484	4,249,930
Total endowment returns	3,755,093	1,108,230	3,979	4,867,302
Expenditures/transfers out:				
Amounts appropriated for operations and other purposes	(1,110,766)	(350,263)	-	(1,461,029)
Transfer to unrestricted non-endowment	(6,300,000)	-	-	(6,300,000)
Total expenditures/transfers for capital improvements	(7,410,766)	(350,263)	-	(7,761,029)
Change in endowment assets and those functioning as endowment assets	(3,544,117)	932,016	173,187	(2,438,914)
Endowment assets and those functioning as endowment assets at end of year	**$ 20,684,053**	**$ 5,039,099**	**$ 8,196,902**	**$ 33,920,054**

Note 14 - Net Assets and Endowment Matters (Continued)

Interpretation of Relevant Law and Spending Policy

The Attorney General of Massachusetts has issued written guidance that all gains on permanently restricted endowment funds that have not been appropriated in accordance with the law should be classified as temporarily restricted net assets unless otherwise restricted by the donor.

State law allows the Board of Trustees to appropriate a percentage of net appreciation as is prudent considering the College's long- and short-term needs, present and anticipated financial requirements, and expected total return on its investments, price level trends and general economic conditions. The College's endowment spending policy is computed based on the average market value for the previous three fiscal year ends. The percentage spent was 5.0% and 4.0% for the years ended June 30, 2018 and 2017, respectively. The Board of Trustees has approved a 5.0% spending rate for the year ending June 30, 2019.

Funds with Deficiencies

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor requires the College to retain as a fund of perpetual duration. In accordance with GAAP, deficiencies of this nature are then reported in unrestricted net assets. In the event that a donor-restricted endowment fund is in a deficiency, the spending rate for that fiscal year is taken only to the extent of current year net interest and dividend income for that fund. As of June 30, 2018 and 2017, there were no funds with deficiencies included in unrestricted net assets.

Return Objectives and Risk Parameters

The College's investment portfolio is managed to provide for the long-term support of the College. Accordingly, these funds are managed with disciplined longer-term investment objectives and strategies designed to meet cash flow and spending requirements. Management of the assets is designed to attain the maximum total return consistent with acceptable and agreed upon levels of risk. The target for average annual real total return (net of investment management fees and inflation) should equal or exceed the College's spending rate plus core CPI over a rolling 5-year period, targeting an overall performance ranging between 5% - 9% over that period.

Strategies Employed for Achieving Objectives

To satisfy its long-term rate-of-return objectives, the College relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The College targets an asset allocation strategy wherein assets are diversified among several asset classes. The pursuit of maximizing total return is tempered by the need to minimize the volatility of returns and preserve capital. As such, the College seeks broad diversification among assets having different characteristics with the intent to endure lower relative performance in strong markets in exchange for greater downside protection in weak markets.

Note 15 - Employee Benefit Plans

All full-time and part-time faculty and staff of the College working in excess of 1,000 hours per year are eligible after one year of service to participate in a defined contribution retirement plan administered by Teachers Insurance and Annuity Association and the College Retirement Equities Fund ("TIAA-CREF"). The College matches, on a 1 to 1 basis, employee contributions to a maximum of 7.5% of annual base salary. Employees may also elect to participate in a supplemental tax-deferred annuity plan sponsored by TIAA-CREF. Contributions may not exceed amounts permitted by the Internal Revenue Code. Retirement plan expense was $1,166,800 and $1,027,167 for the years ended June 30, 2018 and 2017, respectively.

During the years ended June 30, 2018 and 2017, the College offered retirement plans pursuant to Sections 457(b) and 457(f) of the Internal Revenue Code for certain employees. The College contributed $18,000 and $17,500 to the plans for the years ended June 30, 2018 and 2017, respectively. The assets and liabilities related to the plan totaled $200,000 and $160,000 at June 30, 2018 and 2017, respectively.

Eligible employees may elect to participate in the College's health insurance program. Effective July 1, 2013, the College began purchasing a self-insured medical plan developed by the Educators Health Insurance Exchange of New England ("EdHealth").

Employees may also participate in a flexible spending plan and make contributions for certain benefits such as healthcare and dependent care assistance programs on a pre-tax basis.

Note 16 - Related-Party Transactions

The College and the Village have several contractual relationships as follows:

Land Lease

The Village leases the land on which its facility is located under a thirty-year lease agreement with the College that expires in December 2028. The remaining lease payments include annual payments of $207,509 through 2021. Future minimum lease payments to the College are as follows for the years ending June 30:

2019	$	207,509
2020		207,509
2021		207,509
	$	**622,527**

In addition, under the terms of the ground lease agreement, the Village is responsible for payment of additional ground rent to the College to include all taxes, assessments, betterments, excises, user fees and any other municipal government fees or charges that might be levied.

Note 16 - Related-Party Transactions (Continued)

Land Lease (Continued)

Land lease income is recorded on the straight-line basis over the lease term. Lease income recognized for the years ended June 30, 2018 and 2017 is $205,840. Deferred lease income has been recorded for the amount of lease income received in excess of the straight-line lease income, the cumulative amount of which was approximately $1,487,000 and $1,486,000 at June 30, 2018 and 2017, respectively.

Other Village Agreements

The College and the Village have a Master Service Agreement (the “Agreement”) expiring on June 30, 2020. The Agreement is comprised of five separate agreements which cover management, educational services, information technology services, maintenance and security. Under the management portion of the Agreement, the Village is required to make monthly payments to the College totaling 2.9% of the monthly operating revenues of the Village. At the end of the fiscal year, the College shall receive from the Village 10% of any surplus up to $200,000 and 5% of any operating surplus in excess of $200,000. The educational services portion of the Agreement is calculated on a cost plus 20% basis, the information technology services agreement is calculated on a cost plus 15% basis, the maintenance agreement is calculated on a cost plus 10% basis and the security services agreement is calculated on a cost plus 15% basis. The Village reimburses the College for executive fees related to the Village President’s compensation plus a 22% fringe benefit rate. Other reimbursements include direct costs associated with health insurance and corporate purchasing cards managed by the College.

A summary of payments from the Village to the College under the above agreements is as follows for the years ended June 30:

	2018	***2017***
Land lease	$ 207,509	$ 207,509
Management fees	490,964	496,981
Executive fees	263,190	255,262
Educational services fees	206,239	259,965
Information technology services fees	197,263	164,130
Maintenance and security fees	740,134	770,231
Total payments	**$ 2,105,299**	**$ 2,154,078**

The College recognized $1,897,790 and $1,946,569 in revenue related to the agreement with the Village for the years ended June 30, 2018 and 2017, respectively, which is included in auxiliary enterprises revenue in the Statements of Activities. Land lease income recognized, $205,840 for each of the years ended June 30, 2018 and 2017, is included in non-operating activities on the Statements of Activities.

At June 30, 2018 and 2017, $50,871 and $238,320, respectively, was payable by the Village to the College, the receivable of which is included in other assets on the Statements of Financial Position.

Note 17 - Collaborative Services

The College has an agreement for collaborative information technology services with another local college, with the goal of providing quality services to each college campus in a cost effective manner. The agreement will expire in 2018 and renewal negotiations have yet to be finalized. The College's agreement for collaborative Campus Police services with the other local college expired in July 2018 and was not renewed due to the closure of the other college.

Note 18 - Commitments and Contingencies

The College committed to pay a fee to a third party equal to 10% of ground rental payments made by the Village to the College through 2021. In both the years ended June 30, 2018 and 2017, $20,751 was expensed for this purpose.

Future minimum payments under this fee arrangement are as follows for the years ending June 30:

2019	$	20,751
2020		20,751
2021		20,751
	$	**62,253**

The College has entered into various operating lease agreements. The leases generally require that the College pay for insurance, maintenance and certain other operating expenses. Lease expense related to these agreements was $360,373 and $322,253 in fiscal years 2018 and 2017, respectively. Future minimum lease payments are as follows for the years ending June 30:

2019	$	225,431
2020		145,179
2021		70,058
2022		32,294
2023		8,527
	$	**481,489**

The College is periodically involved in claims, suits and other legal matters, all of which arise in the normal course of business. Management does not believe that the outcome of any currently pending matters, either individually or in the aggregate, will have a material impact on the College's financial position, changes in net assets and cash flows.

All funds expended by the College in connection with government grants are subject to review or audit by government agencies. In the opinion of management, any liability resulting from a review or audit would not have a significant impact on the financial statements of the College.

Note 18 - Commitments and Contingencies (Continued)

The College participates in the Massachusetts College Savings Prepaid Tuition Program. This program allows participants to lock in tuition prices by limiting future increases to the changes in CPI plus 2%. This could result in discounts on tuition charged to students in the future.

The College has employment agreements with its President and four members of its senior management team that stipulate a variety of business terms typical in the education sector.

An agreement exists with a former President and/or his wife to reside at Lasell Village at their discretion upon attaining the age of 65. The College would be responsible for loaning the former President 90% of the entrance fee which would revert to the College upon the former President and his wife's departure or death.

The College has an agreement with a company to operate the College's food services on campus, including the dining hall, providing the exclusive right to provide meals related to the meal plan, flex dollars, and the operation of all retail operations. The contract is up for renewal in 2027.

The College has an agreement with Citizens Bank, N.A. for a $3 million demand line of credit. Interest is computed on one month LIBOR (2.07% at June 30, 2018) plus 3% and security interests are the same as those for the bond obligations (see Note 12). As of June 30, 2018 and 2017, there was no outstanding balance on the line of credit. The line of credit is a revolving line and renews automatically.